

highlights

a weekly digest of recently released British Columbia statistics

High Technology Sector

- British Columbia's high technology sector shrank in 2001, with real GDP falling 4.0%, as high tech manufacturers in the province were affected by a global downturn. For the first time since 1996, GDP growth in the high tech sector fell below the provincial average (+0.7%). The weakness in the high tech sector came from the manufacturing industries, where GDP contracted 18.6%. However, high tech service industries continued to expand, (+5.1%), marking their fifth straight year of growth. The high tech sector in BC is predominantly service-oriented, with service industries such as engineering and computer services accounting for two-thirds of the sector's GDP.

Canada's high-tech sector also displayed weakness in 2001, contracting 1.2% as the manufacturing sector posted a 9.9% decline. The downturn in high tech manufacturing occurred in every part of the country, but the effects on the high tech sector were less dramatic in BC and Alberta, where services are more predominant. Alberta's high tech sector posted a healthy (+10.2%) gain despite a 7.4% drop in manufacturing activity.

Source: BC Stats

- Revenue data for the high tech sector show similar trends, with overall earnings in BC dropping 3.7%. All the losses were attributable to the manufacturing sector where revenues fell 19.7%. A 7.6% increase in the earnings of high tech service industries only partially offset this decline. Nationally, revenues in the high tech sector contracted 4.6% last year.
- The number of people working in BC's high tech sector increased 5.2%, rising to 45,550 as the number of people working in high-tech services increased 8.8% (to 29,820). Employ-

Source: BC Stats

ment in high tech manufacturing edged down 1.0%. Nationally, the number of high tech workers rose 2.3% to 484,180.

Source: BC Stats

Note to Readers

This is the first release of high tech estimates that are based on the North American Industrial Classification System (NAICS). The definition of the high tech sector used by BC Stats has been modified to bring it in line with the NAICS industry codes so these figures are not directly comparable with previously published data. A complete report on BC's high tech sector will be released later this fall.

The Economy

- Department store sales in BC and the north fell 0.9% (seasonally adjusted) in July, while national sales increased 0.8%. Sales in Atlantic Canada were strong, increasing in all three regions: Nova Scotia (+3.7%), Newfoundland and PEI (+3.4%), and New Brunswick (+3.0%). These advances more than offset lower spending in the west, where the biggest decline was recorded in Manitoba (-3.1%).

Source: Statistics Canada & BC Stats

Housing

- Housing starts in British Columbia rose 33.6% (seasonally adjusted) in August as low mortgage rates continued to stimulate building activity. Starts were up 5.9% nationally, led by strong gains in BC, Alberta (+33.3%) and Nova Scotia (+31.0%), but declined 9.0% in Ontario. Starts were also down in PEI (-40.0%) and Newfoundland (-15.0%).
- The cost of new housing in Vancouver was 2.3% higher this July than in the same month last year, while prices in Victoria rose 4.3% over the same period. Nationally, new housing prices were up 4.0%. Edmonton (+7.7%) and Ottawa-Gatineau (+7.6%) exhibited the largest year-over-year growth. Calgary (5.3%), Montréal (5.3%) and

Source: CMHC

Did you know...

One in five (1,916) babies born during the first quarter of this year had a mother who was 35 or older. Four percent (410) had a teenage mom.

Kitchener-Waterloo (4.6%) also posted above average increases.

Source: Statistics Canada

- **Relative to the base year of the index, 1992, new housing prices have risen in most Canadian cities, with Calgary (143.0) and Regina (140.5) leading the trend.** Victoria, Vancouver, Sudbury-Thunder Bay, and Saint John-Moncton-Fredericton are the only metropolitan areas where the index has fallen below 100. Victoria's new housing price index was 75.7 in July and the cost of new housing in Vancouver was 86.0% of the 1992 level.

Source: Statistics Canada

Foreign Ownership of Large Corporations

- **Thirteen percent (11,415) of the 86,978 large corporations in Canada are located in British Columbia.** Most (85.6%) of these firms are owned by Canadians. The ownership of foreign firms resident in BC reflects the province's strong ties to nations in the Pacific Rim. Investors who are primarily from these countries control 6.5% of the large firms in BC. American (5.6%) and European (2.5%) investors own the rest of the large companies.

The national picture, dominated by Ontario, is quite different. Of the 36,766 large firms in that province, 79.8% are Canadian-owned, 11.4% are controlled by US investors, 5.7% by investors from the EU, and 3.1% by investors from other countries. In Alberta, 85.9% of firms are Canadian-owned, as are 89.1% of large companies in the rest of Canada. BC is the only region where foreign ownership of firms is not primarily US-based.

Source: SC, The Daily

Migration

- **BC had the country's highest rate (19.5%) of rural and small town in-migration from 1991-1996.** The rural out-migration rate was 11.1% during the same period causing a net migration of 8.4% into rural areas. More Canadians have been choosing to move to rural BC than the big cities since 1986. This is opposite of the Canadian average where more people have been moving to urban centers than to rural areas since 1971. People moving within or to Newfoundland and Labrador (-5.3%) and Saskatchewan (-2.3%) opted for urban centers the most often.

Source: Statistics Canada

University Tuition

- **Despite a 25.2% increase in 2002/03, average undergraduate tuition fees in BC remain among the lowest in the country at \$3,165.** The national average (revised from the August report) rose 4.5% to \$3,738. Nova Scotia (\$5,214) had the highest fees in the country. BC students also pay significantly less (\$399, compared to a national average of \$530) in compulsory fees. Universities in Ontario (\$653) and Manitoba (\$646) have the highest compulsory fees in the country.

Source: Statistics Canada

The Nation

- **Canadian industries increased their use of productive capacity in the second quarter, with the overall utilization rate rising to 83.2%, up from 81.9% at the beginning of the year.** This was the second straight increase in the utilization rate, suggesting that manufacturing industries are beginning to gear up again after spending more than a year in the doldrums. Capacity use in the manufacturing sector averaged 82.7%, with rates ranging from a low of 66.9% in the computer and electronics industry to 96.8% in the petroleum and coal products industry. Both wood (91.5%) and paper (90.1%) producers were operating at close to full capacity in the second quarter.

Source: Statistics Canada

- **Labour productivity in Canada's business sector rose 0.9% (seasonally adjusted) in the second quarter.** This marked the country's sixth straight quarterly increase in labour productivity. Strong output growth (+1.3%), combined with a more modest increase (+0.5%) in hours worked, was the main reason for the productivity growth. Productivity gains in Canada were more than double (+0.4%) those in the US, where improvements occurred despite near-zero (+0.1%) output growth. The number of hours worked in the US fell 0.3% in the second quarter. Improvements in labour productivity are only a rough measure of productivity change, since they can stem from increased use of capital or technological improvements as well as more efficient use of labour inputs.

Source: Statistics Canada

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The Changing Face of B.C. Exports

Exports have always been an important part of British Columbia's economy. The impetus for European exploration of BC was to find alternative routes to Asia through which to move goods. Once these explorers realised the bounty of resources that were available in BC, their emphasis shifted away from exploration of routes to Asia and toward the economic potential of the area itself. In the earliest days of European settlement, furs were the principal export from the region; however, it wasn't long before lumber became British Columbia's major export, as it still is today.

From BC's earliest days as part of the Dominion of Canada, wood exports have been a crucial element of its economy

Over the last 20 years, international exports have become increasingly important to the economy of the province. Exports of goods and services have gone from just over 22% of BC's real Gross Domestic Product (GDP) in 1981 to 30% in 2001. Trade in commodities comprises the majority of international exports and has grown from 18% of constant dollar GDP in 1981 to almost 24% in 2001. Trade in services has risen from 4% of real GDP to over 6% in that 20 year span.

BC's Share of Canadian Exports Has Declined

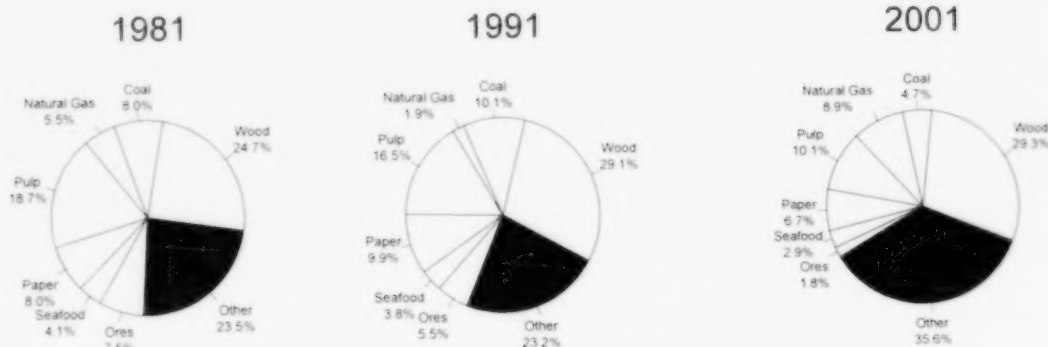


BC's export growth has not kept pace with other regions in the country, particularly Alberta, and as a result its share of total Canadian exports has fallen

Despite the increasing importance of exports to the provincial economy, BC's share of total Canadian exports has slipped over the last ten years. From 1991 to 2001 BC's share has dropped from 11% to just over 8%. The province gaining the most share over that period was Alberta, going from under 12% of total Canadian exports to over 15%. Much of this increase is due to price inflation for energy products, particularly natural gas. In constant dollar measures,¹ Alberta's share has actually slipped slightly.

With the abundance of natural resources available in BC, it is not surprising that, through the years, the bulk of commodity exports has consisted of resource products. Although the province is starting to diversify in terms of goods exported, it is still true that the large majority of BC origin exports are comprised of resource commodities.

¹ Constant dollar measures are available only on a Balance of Payments basis, whereas most of the data here (other than comparisons to GDP) are on a Customs basis, therefore they are not strictly comparable, but the shares should be similar.



The pie charts above indicate that in 1981 over three-quarters of all goods exported from BC were forest products, unprocessed ores, coal, natural gas or seafood. There was not a lot of change between 1981 and 1991, but by 2001 these goods held a diminished share of total BC origin exports. Although wood and articles of wood have actually increased their share of total exports, pulp and paper products have dropped 10 percentage points from 1981 to 2001. Unprocessed ores have fallen from a significant 7.5% of all exports to just under 2%.

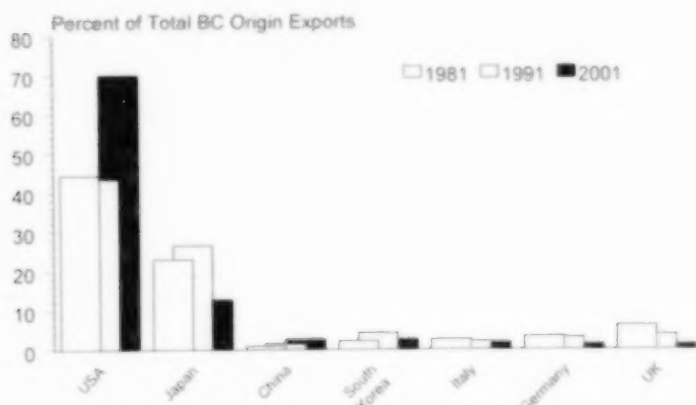
The changes to the commodity mix are a result of several factors. Seafood exports have declined as a result of depletion of stocks and subsequent catch limits and reductions to the fishing fleet. Coal shipments have waned due to economic difficulties in Japan that have reduced demand, as well as global oversupply of the good. Pulp and paper products have also been the victims of supply gluts that have kept prices down. The same can be said of many mineral ores. Some of the export variation is due to not only change in quantity, but also in price. The beginning of a shift to more value added production and high technology manufacturing is also affecting the export mix. Another factor affecting the types of commodities shipped from BC is the destination of the goods.

Over the last 20 years, and particularly the last 10 years, there has been a dramatic shift in the destination of BC product shipments. The United States has been the single most significant destination for goods from Canada over the last half-century, but British Columbia has generally maintained more diverse trade relationships. In 1991, less than half (44%) of BC origin exports were destined for the US compared to 75% for Canada as a whole. Japan took over a quarter (27%) of BC's exports in that year. By comparison, only 13% of BC exports went to Japan in 2001, while almost 70% were destined for the United States. The implementation of the Free Trade Agreement with the United States and the subsequent North American Free Trade Agreement (NAFTA) is possibly the most significant factor, but the erosion of the Canadian dollar compared to its American counterpart has also been a contributor. As the Canadian dollar fell, it made Canadian exports cheaper for Americans and as a result, demand for Canadian goods rose. Similarly, free trade with the US has removed previously existing tariff

The destination of BC origin exports has shifted more and more to the United States

barriers giving Canada more access to the US market. The combination of these two significant factors has resulted in increased trade between the United States and Canada, and BC has been no exception. At the same time that American demand for goods from BC has risen, Japanese demand has diminished. Poor economic conditions in Japan have resulted in a drop in demand for BC's resource products.

Free Trade and a Low-Valued \$ Have Shifted Exports to the USA



The combination of free trade with the US and a comparatively low Canadian dollar has resulted in greater trade between BC and the US

Beyond the US and Japan, there has been a shift in the ranking of other trading partners. China climbed to third in terms of a destination for BC exports in 2001, and South Korea was fourth. Italy rounded out the top five. Ten years earlier, in 1991, South Korea ranked third, the United Kingdom was fourth and Germany was fifth. China was in tenth spot with only 1.5% of BC exports (compared to 2.5% in 2001). In 1981, the United Kingdom was the third ranked destination for shipments of BC goods, with a 6% share (compared to only 1% in 2001). Germany and Belgium/Luxembourg rounded out the top five. Although there has been a shift away from European destinations and some Asian destinations are gaining more prominence, the increase in the United States' share of BC exports overwhelms these other market changes.

Change is inevitable and it is likely that British Columbia's exports will continue to evolve. Trade disputes with the US such as the softwood lumber dispute will drive BC exporters to find other trade partners and it is likely that, in the future, destinations like China and India will take a larger share of BC products. The product mix will continue to change and although forest products will probably continue to represent a substantial portion of BC exports, there will likely be more movement to value added production. In the next few years, Japan will probably come back as a more significant trade partner for BC, although China could challenge it as the most important Asian destination for BC products sometime in the future.

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BC at a glance . . .		
POPULATION (thousands)		% change on one year ago
	Apr 1/02	
BC	4,118.1	0.9
Canada	31,260.4	0.9
GDP and INCOME		% change on one year ago
(BC - at market prices)		2001
Gross Domestic Product (GDP) (\$ millions)	130,396	2.2
GDP (\$ 1997 millions)	125,534	0.9
GDP (\$ 1997 per Capital)	30,648	-0.1
Personal Disposable Income (\$ 1997 per Capital)	19,177	0.8
TRADE (\$ millions)		% change on one year ago
Manufacturing Shipments (seas. adj.) Jun	2,781	-3.4
Merchandise Exports (raw) Jun	2,269	-10.6
Retail Sales (seasonally adjusted) Jun	3,401	6.4
CONSUMER PRICE INDEX		% change on one year ago
(all items - 1992=100)		Jul '02
BC	118.5	1.9
Canada	119.6	2.1
LABOUR FORCE (thousands)		% change on one year ago
(seasonally adjusted)		Aug '02
Labour Force - BC	2,171	3.4
Employed - BC	2,001	3.6
Unemployed - BC	170	0.7
		Aug '01
Unemployment Rate - BC (percent)	7.8	8.0
Unemployment Rate - Canada (percent)	7.5	7.3
INTEREST RATES (percent)		
	Sep 11/02	Sep 12/01
Prime Business Rate	4.50	5.75
Conventional Mortgages - 1 year	5.30	5.90
- 5 year	6.70	7.30
US/CANADA EXCHANGE RATE		
	Sep 11/02	Sep 12/01
(avg. noon spot rate) Cdn \$	1.5755	1.5592
US \$ (reciprocal of the closing rate)	0.6326	0.6407
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)		Aug '02
BC	668.08	4.0
Canada	652.60	2.6
SOURCES:		
Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada		
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics		
For latest Weekly Financial Statistics see www.bankofcanada.ca		

On our Web Site!

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... providing comparisons across regions of the province on indicators of human economic hardship, crime, health problems, education concerns, and for two target groups - children at risk and youth at risk. The indices have been designed to aid analysts in their knowledge and understanding of regional conditions. Regional Districts and Local Health Areas are compared on maps and graphs, with supporting and supplementary data in table format.

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Released this week by BC STATS

- Labour Force Statistics, August 2002
- Quarterly Regional Statistics, 2nd Quarter 2002

Next week

- Exports, July 2002